

# Red River Levee and Drainage District

Fiscal Year Ended June 30, 2018  
Agreed-Upon Procedures Report

Red River Levee and Drainage District

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# J. WALKER & COMPANY<sup>APC</sup>

ACCOUNTANTS AND ADVISORS

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Management of  
Red River Levee and Drainage District

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable".

Management of the Red River Levee and Drainage District, a component unit of the State of Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Red River Levee and Drainage District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Red River Levee and Drainage District compliance with certain laws and regulations during the year ended June 30, 2018.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### **Follow-up on Prior-year Findings**

#### *Written Policies and Procedures*

We obtained the District's written policies and procedures. We reviewed policies to determine if they addressed specific financial/business functions. Many of the policies failed to address specific financial/business functions.

Management should ensure that all policies and procedures are written and that those written policies and procedures address specific financial/business functions. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *Written Policies and Procedures* below under current year findings.

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### Ethics

We selected the one part-time employee employed by the District and all three commissioners and obtained documentation to demonstrate that required annual ethics training was completed. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period ending June 30, 2017.

Management should ensure that all employees and commissioners complete the required ethics training annually. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *ethics* for other results of our procedures.

### DOA's boards and commissions database

We accessed the District's online information included in the Director of Administration's ("DOA") boards and commissions' database. We were unable to access recent submissions of meeting notices and minutes for meetings. The District's current secretary indicated she was unaware of the requirement to upload meeting notices and minutes for meetings to the site. Act 12 of the 2009 Legislative Session requires agencies to submit information to the DOA's website.

The District should implement procedures to ensure that necessary information is uploaded to the DOA's website in a timely manner. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *DOA's boards and commissions database* below under current year findings.

### Travel and expense reimbursement

We obtained the District's policy relating to travel and expense reimbursement. We reviewed the policy to determine if policy included guidelines relating to (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, (4) time-frame in which request must be submitted and (4) required approvers. We obtained from the District a listing of all travel and related expense reimbursements, by person during the fiscal year ending June 30, 2017. The District was unable to provide written policies relating to travel and expense reimbursements. We compared the amounts paid to the per diem and mileage rates established by the state's travel rules and regulations (i.e., PPM 49) to determine if there were any reimbursements that exceeded the rates established by PPM 49. From documentation provided the reimbursement rate used exceed mileage rates established by the state's travel rules and regulations.

Management should ensure that all employees and commissioners are reimbursed at policy which shouldn't exceed rates indicated in PPM 49. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *Travel and expense reimbursement* below under current year findings.



### Contracts

We obtained a list of all contracts in effect during the fiscal year ending June 30, 2017. We randomly selected five contract vendors that were paid during the fiscal period. We looked to determine if a formal/written contract that supported the services arrangement and the amount(s) paid to vendors. We compared each contract's detail as it related to the Louisiana Public Bid Law or Procurement Code. None of the contracts selected met the requirements under the Louisiana Public Bid Law. We inquired of a reviewed documentation to see whether the District solicited quotes as a best practice. None of the contracts considered were amended during the fiscal period ending June 30, 2017. We selected the largest payment from each of the contracts and obtain the supporting invoice(s) and compared the invoice(s) to the contract terms. We reviewed documentation provided, including board minutes to determine if the board of commissioners had approved the execution of the contracts. The District continues to rent office space without a formal written lease. The agreement with outside accounting firm has not been updated since 2014. The agreement does not stipulate a rate per hour or maximum annual payment amount.

Management should develop policies and procedures relating to contracts and ensure that all contracts are current and maintain required information. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *Contracts* below under current year findings.

### Budget

Management was unable to provide us with the District's budget that was approved and adopted by the Board for the fiscal year ending June 30, 2017.

Management should adopt a budget for each fiscal year. Management should have a comparative budget to actual financial statements to trace their expenditures and revenues. Also, the budget should be presented to the board during the board meetings. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *Budget* below under current year findings.

## **Current Year Findings**

### Written Policies and Procedures

We obtained the District's written policies and procedures. We reviewed policies to determine if they addressed specific financial/business functions. Many of the policies failed to address specific financial/business functions.

The policy on budgeting did not address procedures relating to preparing, adopting, monitoring and amending the budget. Purchasing policy did not address (1) how purchases are initiated; (2) the preparation and approval process of purchase requisitions and purchase orders; (3) controls to ensure compliance with the public bid law or state purchasing rules and regulations; and (4) documentation required to be maintained for



all bids and price quotes. The District has no policy relating to contracts. Policy should include (1) types of services requiring written contracts, (2) standard terms and conditions, (3) approval process, and (4) monitoring process of contracts. The District has no policy relating to payroll/personnel matters. The policy should include procedures relating to (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. Travel and Expense reimbursement policy needs to be updated. The policy should include (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements (4) time-frame in which requests must be submitted and (4) required approvers. The District's policy regarding Ethics failed to address (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, and (3) system to monitor possible ethics violations.

Management should ensure that all policies and procedures are written and that those written policies and procedures address specific financial/business functions.

Management's response: Management disagrees with the finding.

Travel and expense reimbursement

We obtained the District's policy relating to travel and expense reimbursement. We reviewed the policy to determine if policy included guidelines relating to (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, (4) time-frame in which request must be submitted and (4) required approvers. We obtained from the District a listing of all travel and related expense reimbursements, by person during the fiscal year ending June 30, 2018. The District was unable to provide written policies relating to travel and expense reimbursements. We compared the amounts paid to the per diem and mileage rates established by the state's travel rules and regulations (i.e., PPM 49) to determine if there were any reimbursements that exceeded the rates established by PPM 49. The District was unable to provide documentations related to travel and expense reimbursement.

Management should ensure that all employees and commissioners are reimbursed at policy which shouldn't exceed rates indicated in PPM 49 and documentation is available to review.

Management's response: Management disagrees with the finding.

Budget

Management was unable to provide us with the District's budget that was approved and adopted by the Board for the fiscal year ending June 30, 2018. The adopted budget was not addressed in the Board of Director's minutes.

Management should adopt a budget for each fiscal year. Management should have comparative budget to actual financial statements to compare their expenditures and revenues. Also, the budget should be presented to the board during the board meetings.

Management's response: Management disagrees with the finding.



### Board Activity

We obtained and reviewed the board minutes for the fiscal year ended June 30, 2018. The Board of commissioners is scheduled to meet on a monthly basis. For meetings for the fiscal year there was a quorum to conduct business for each of the meetings reviewed. We were able to access the entity's information on DOA's website. In December 2017 the District uploaded the agenda to the DOA website. On two occasions, in the month of May and October, the District did not upload the board minutes to the DOA website.

Management should ensure all the board minutes are submitted on DOA's website for each fiscal year.

Management's response: Management disagrees with the finding.

### Bank Reconciliations

The District maintains one checking account used for general operations. The District employs one part-time employee. The sole employee is responsible for fee collection, disbursement, and reconciliation activities. We performed procedures to reconcile cash transactions to the District's general ledger and bank statements, and evaluated the segregation of duties between District staff. We confirmed that bank account reconciliations are performed monthly, and bank statements are reviewed timely by the executive director. The Board of Director's minutes stated the reconciliations are performed monthly and bank statements are reviewed timely by the executive director. The documentation provided does not have the signature of the executive director and the board member who reviewed the reconciliation.

Management should ensure reconciliations are performed monthly, and bank statements are reviewed by executive director and a board member in a timely manner. Management should implement a policy to have someone who does not handle cash, post ledgers, issue checks or sign checks to review each bank reconciliation.

Management's response: Management disagrees with the finding.

### Contracts

We obtained a list of all contracts in effect during the fiscal year ending June 30, 2018. We randomly selected five contract vendors that were paid during the fiscal period. We looked to determine if a formal/written contract that supported the services arrangement and the amount(s) paid to vendors. We compared each contract's detail as it related to the Louisiana Public Bid Law or Procurement Code. None of the contracts selected met the requirements under the Louisiana Public Bid Law. We inquired regarding reviewed documentation to see whether the District solicited quotes as a best practice. None of the contracts considered were amended during the fiscal period ending June 30, 2018. We selected the largest payment from each of the contracts and obtained the supporting invoice(s) and compared the invoice(s) to the contract terms. We reviewed documentation provided, including board minutes to determine if the board of commissioners had approved the execution of the contracts. The agreement with the outside accounting firm has not been updated since 2014. The agreement does not stipulate a rate per hour or maximum annual payment amount.



Management should develop policies and procedures relating to contracts and ensure that all contracts are current and maintain required information.

Management's response: Management disagrees with the finding.

Payroll and Personnel

We obtained a listing of employees with their related salaries. The District currently employs one part-time employee. We reviewed compensation paid to the employee during the fiscal period to determine if payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. The District was unable to provide documentation on terms and conditions of the employment contract or pay rate structure.

We obtained attendance and leave records and randomly selected one pay period in which leave had been taken by at least one employee. We looked to determine if employees' documentation were approved by a Board member. We looked to determine if appropriate documentation existed relating to written leave records. The District was unable to provide documentation on randomly selected pay period in which leave had been taken by one employee. Management indicated no one had taken a sick leave in the fiscal year.

We obtained from management a list of those employees that were terminated during the fiscal period. Personnel files were obtained for one employee. We considered and looked at documentation of the one discharged employee to determine if final payment was made in strict accordance with policy and approved by management. The District was unable to provide personnel files.

Management should develop a policy to ensure that proper documentation is maintained.

Management's response: Management disagrees with the finding.

Disbursements – Other General

We obtained a listing (general ledger) of the District's disbursements from management. From the listing we randomly selected five disbursements. We obtained supporting documentation for each of the disbursements. We looked to see if an original itemized receipt or invoice existed that identified precisely what was purchased or acquired. We looked to see if the documentation provided for the business/public purpose of the transaction. For each transaction selected we compared the District's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. We looked to determine if documentation in writing existed indicating who reviewed and approved transactions and determined if that individual is someone other than the person who initiated the purchase. The District was unable to provide documentation to support other disbursements.

Management should develop a policy relating to disbursements, and maintain documentation that supports disbursements.

Management's response: Management disagrees with the finding



## **Other Results of Our Procedures**

### *Annual Fiscal Report (AFR)*

We obtained the financial statements from the AFR submitted to the Division of Administration's (DOA) Office of Statewide Reporting and Accounting Policy for the current and prior periods. We performed analytical procedures comparing current and prior period amounts by line item. We considered any variances of 10% or greater for line items that are 10% or more of the respective total assets/deferred outflows of resources, liabilities/deferred inflows of resources, net position, revenues, or expenses and noting management's explanation of any variance. We inquired of management on the line items that had variances that are 10% or greater. The line items Receivable, net, had an increase of 3907.89%, the explanation provided by management is that, in 2017, one check was received after YE for 37.55. In 2018, five checks were received after year end for a total of 1,522.97. The line item Accounts payable and Accruals had an increase of 765.87%, the explanation provided by management is that the difference is due to more maintenance being performed at the end of fiscal year than prior year. The line item fund balance had an increase of 15.40%; the explanation provided by management is that change is due to increase of net income. The line item Operating Grants and Contributions Revenue had a decrease of 100%, the explanation provided by management is that there was a grant received in prior year, while no grants were received in current year.

### *Collections*

We obtained existing documentation relative to insurance policies, policy manual and job descriptions to determine whether each person responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transactions, and reconciling the related bank account(s). The administrative staff consists of one part-time employee. Through inquiry with the part-time secretary compensating controls have been implemented relating to cash activities. The part-time employee performs cash activities (collecting, deposits and bank reconciliations). The District treasurer reviews and signs off on bank deposits as well as bank reconciliations. The District was unable to provide documentation on cash activities (collecting, deposits and bank reconciliations).

We selected the highest (dollar) week of cash collections from the general ledger and using the District's collection documentation (e.g. deposit slips and bank statements) we traced the daily collections to the deposit date on the corresponding bank statement. We reviewed the date of the collections and compared it to the date deposits were made to determine if deposits were made within one day of collections. We reviewed the receipt books provided and considered if the receipts were sequentially numbered. We verified if daily cash collections were completely supported by documentation.

We obtained independent confirmation of the tax amounts received from the two appropriate parish Sheriff's offices. We compared the amounts reported in the confirmation reports to the amounts deposited by the District. Based on our procedures, no exceptions noted.



Credit Cards/Debit Cards/Fuel Card/P-Cards

We obtained a list from the District of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintained possession of the cards. The District maintains no credit, debit, fuel or p-cards. Therefore, no procedures were performed.

Ethics

We selected the one part-time employee employed by the District and all three commissioners and obtained documentation to demonstrate that required annual ethics training was completed. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period ending June 30, 2018. Based on our procedures, no exception noted.

Debt Service

The District issued no debt obligations for the fiscal year ending June 30, 2018. Also, they do not have any outstanding debt therefore; no procedures were performed relating to debt service.

Other

We inquired of management of the District had there been any misappropriations of public funds or assets. Management indicated that they were unaware of any misappropriation of public funds or assets from the District.

The District did not enter into a contract for the audit or attest services other than these agreed-upon procedures for the fiscal year ending June 30, 2018.

Corrective Action

We obtained management's response and corrective action plan for exceptions noted in the above agreed-upon procedures. See Appendix A for management's response and corrective action plan.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The report is intended solely for the use of management of the Red River Levee and Drainage District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as public document.



*J. Walker & Company, APC*

Lake Charles, Louisiana

October 30, 2018